

MINUTES
PLANNING COMMITTEE

July 13, 2016

A meeting of the Planning Committee of the Council of the County of Kaua'i, State of Hawai'i, was called to order by Mason K. Chock, Chair, at the Council Chambers, 4396 Rice Street, Suite 201, Līhu'e, Kaua'i, on Wednesday, July 13, 2016, at 12:40 p.m., after which the following Members answered the call of the roll:

Honorable Gary L. Hooser
Honorable Ross Kagawa
Honorable Arryl Kaneshiro
Honorable KipuKai Kualī'i
Honorable Mason K. Chock
Honorable JoAnn A. Yukimura, Ex-Officio Member
Honorable Mel Rapozo, Ex-Officio Member

There being no objections, the Committee recessed at 12:41 p.m., to convene in the Committee of the Whole Meeting.

The meeting was called back to order at 1:46 p.m., and proceeded on its agenda item as follows:

Bill No. 2627, Draft 1 A BILL FOR AN ORDINANCE TO AMEND
CHAPTER 10, KAUAI COUNTY CODE 1987, AS
AMENDED, BY ADDING A NEW ARTICLE 5B,
RELATING TO THE LIHU'E PLANNING DISTRICT
(*County of Kaua'i, Applicant*) **(This item was Deferred.)**

Councilmember Hooser moved to approve Bill No. 2627, Draft 1, seconded by Councilmember Kagawa.

Committee Chair Chock: The order of the day is to defer this item, but there was interest to have a presentation and insight from the Department of Water (DOW). We also have our Planning Department and Housing Agency present today. With that, I would like to ask the Department of Water to come up. I think they already have a presentation ready. We will suspend the rules at this time.

There being no objections, the rules were suspended.

KIRK SAIKI, Manager and Chief Engineer: Good afternoon. Kirk Saiki, Department of Water. We were invited to give an overview of the proposed rule changes to the Facilities Reserve Charge (FRC) rules. Basically, what I wanted to cover were these items here: status of the proposed rule, the rule changes itself, how FRCs are assessed for multi-family and Additional Dwelling Units (ADUs) with existing meters, how FRCs are assessed for affordable housing units, and how the proposed rule amendments affect Bill No. 2627. These were the questions in our invitation. Basically, the status of the rule amendment is as shown on this slide. In the May 17, 2016 board meeting, the board directed us to draft a Small Business Impact Statement so that we could submit it to the Small Business Regulatory Review Board. We submitted the impact statement on July 11. So what comes up next? We get the findings from the Small Business Regulatory Review Board, and essentially

we go back to the board for board action and public hearing. That is where it stands right now.

On this slide are the rule amendments. Basically, it is two (2) paragraphs with a lot of words in there. Let me switch to the next slide. The first change is that Facilities Reserve Charge for conversion of legally existing single-family units to a multi-family, two-dwelling unit structures as provided by the law, which will be assessed at fifty percent (50%) of the FRC for multi-family units per unit. If you look at that table on the left two (2) columns, that is what the FRC charges would be for the existing rule as it stands now. Basically, converting a home into a two-unit, multi-family structure, which is I guess for an easier term, "duplex," it would be charged nine thousand eight hundred dollars (\$9,800) for each unit for the FRC and the total would be nineteen thousand seven hundred sixty dollars (\$19,760). But there is a credit for the existing meter that is on the property, so that is the fourteen thousand one hundred fifteen dollars (\$14,115), which makes the total FRC charge five thousand six hundred forty-five dollars (\$5,645). The proposed rule will change essentially the fifty percent (50%) of their multi-family FRC charge, so it is four thousand nine hundred forty dollars (\$4,940) for each unit, which the total is less than the FRC credit, so really the total FRC charge is zero (0).

The second rule amendment is for projects developed by the County of Kaua'i Housing Agency or in partnership with the Housing Agency. All certified affordable housing projects will be charged at four thousand nine hundred forty dollars (\$4,940), whether it is single-family or multi-family. The old rule on the left, single-family home, whether it was an affordable housing or regular housing, would be fourteen thousand one hundred fifteen dollars (\$14,115) and multi-family would be assessed nine thousand eight hundred eighty dollars (\$9,880) per unit or the meter cost, whichever was higher. The proposed rule is shown as four thousand nine hundred forty dollars (\$4,940), whether it is a single-family or multi-family unit, per unit.

The third question is how are FRCs assessed for multi-family and additional dwelling units with existing meters? It was kind of shown in the previous slides, but basically for a multi-family unit, adding more multi-family units, the FRC is equal to the cost of the new meter, minus the existing cost of the existing meter, or the total number of units times the nine thousand eight hundred eighty dollars (\$9,880) per unit, minus the cost of the existing meter or the cost of existing units. It gets kind of convoluted when you start looking at multi-family units and it is based on the larger cost. For ADUs with existing meters not covered under the propose rule, it is going to be fourteen thousand one hundred fifteen dollars (\$14,115).

How do these amendments affect Bill No. 2627? Basically, affordable housing developments certified by the County of Kaua'i will be assessed four thousand nine hundred forty dollars (\$4,940) per unit. Housing developments not certified will fall under the current rule. Multi-family affordable rental units will be four thousand nine hundred forty dollars (\$4,940) if affordable rental ADUs will still fall under the existing rule, so it would be fourteen thousand one hundred fifteen dollars (\$14,115). Any questions?

Committee Chair Chock:

Council Chair Rapozo.

Council Chair Rapozo: Thank you. On slide number 5, your first chart, it talks about the conversion of legally existing single-family units to a multi-family, two-dwelling unit. Is affordability or compliance not required with the County, or being certified as an affordable unit?

Mr. Saiki: No, that one does not. In other words, the first one, "c. The Facilities Reserve Charge for conversion of legally existing single-family units to a multi-family..."

EDWARD DOI, Civil Engineer VI: It does not have to be ADU certified.

Council Chair Rapozo: Really?

Mr. Doi: Other than what is on the proposal.

Mr. Saiki: This proposal, we can change.

Council Chair Rapozo: I am just curious about what the intent of the board was because I assumed they were trying to give the breaks to the people that were going to help the affordable housing market, and that is what I am not seeing. In other words, if I have a four-bedroom house and I convert one of those units to a one-bedroom unit, same structure, but going to a multi-family, two-dwelling unit, that I would in essence pay zero (0) for my water meter and I could charge whatever I wanted to. The second chart requires...this is where I am kind of confused because...

Mr. Saiki: This is really for a development like "Lima Ola." So say we are doing it all single-family, you are getting pretty much...

Council Chair Rapozo: No, but this one is for legally existing, so that would not be Lima Ola. This would be somebody that has an existing home and I want to generate revenue and income, so I am going to convert my big mansion and create a separate rental, a really nice one, and I am going to charge market rate and pay zero (0) for that FRC.

Mr. Saiki: Yes.

Council Chair Rapozo: Then the other person who wants to participate in our affordable housing market now has to pay four thousand nine hundred forty dollars (\$4,940). Am I reading this right? The person who is participating in the certified affordable housing project pays four thousand nine hundred forty dollars (\$4,940) a meter and the person that does not, does not; he pays zero (0). That is what I am reading from these two (2) charts. Am I reading it right?

Mr. Saiki: Yes.

Council Chair Rapozo: Okay. I am just checking.

Committee Chair Chock: Further questions? Councilmember Yukimura.

Councilmember Yukimura: According to your studies, these FRCs are system development charges, correct?

Mr. Saiki: Yes.

Councilmember Yukimura: Well, they are the cost of the system per each unit, right?

Mr. Saiki: Yes.

Councilmember Yukimura: Who is going to pay if this rule passes?

Mr. Saiki: That is a good question. We have to determine how or if we are going to make up the lost revenue.

Councilmember Yukimura: Okay. I do commend you. I saw in your Manager's Report that, "The department is currently performing the following tasks: research how other Departments of Water assesses impact fees for affordable housing and special planning areas and estimate cost implications." It seems like you were trying to determine who is going to pay for it.

Mr. Saiki: Yes. Basically, at least in the State, no other Department of Water has an affordable housing subsidy. I ran some quick numbers, but we kind of played with the rules a little bit, so I have not adjusted the numbers. It depends what you estimate the number of affordable homes that get built and all of that, so I still have to refine those numbers and look at them again. Basically for the department and the board, we have to decide whether or not how we do make up the lost revenue.

Councilmember Yukimura: Right. Arguably, if we had an affordable housing strategic plan and might dovetail with the General Plan, but that we need six thousand (6,000) units in twenty (20) years and four thousand (4,000) are going to be either built by the County or required as inclusionary zoning or whatever. These would be the certified units. The others would be built by the private sector. You could probably do some cost estimates with that.

Mr. Saiki: Yes.

Councilmember Yukimura: Where did these proposed rules come from?

Mr. Saiki: What do you mean?

Councilmember Yukimura: Who proposed these rules?

Mr. Saiki: It is between the board and the department.

Councilmember Yukimura: So basically you folks initiated it, so you should know the rationale for it.

Mr. Saiki: Yes.

Councilmember Yukimura: Okay. What was your rationale for lowering FRC charges for houses that would be rented out or sold at market?

Mr. Saiki: Well, there is not just an affordable housing or rental market problem. There is a market barrier rental problem. So whatever that can be put into the market, it is going to help either affordable or the rental market.

Councilmember Yukimura: Well, the only other source of revenues that I can think of to make up the deficit, so to speak, will be other ratepayers, either now or in the future.

Mr. Saiki: There are other sources.

Councilmember Yukimura: What other sources?

Mr. Saiki: There are grants and the County is actually going to realize some revenue based on more housing.

Councilmember Yukimura: So you are saying real property taxes?

Mr. Saiki: Real property taxes, General Excise Taxes
(GET)...

Councilmember Yukimura: We do not have any GET power.

Mr. Saiki: Well, but there is a proportion that comes
here, right? Say just real property taxes—that is another source that we can discuss.

Councilmember Yukimura: Well, if you are going to discuss that, we really
need to know what the protections are.

Mr. Saiki: Yes, that is the problem. Nobody really
knows.

Councilmember Yukimura: Well, then it is not going to happen because
we cannot commit to something that we do not know what we are committing to.

Mr. Saiki: I understand that.

Councilmember Yukimura: So real property taxes; the ratepayers will pay
more.

Mr. Saiki: Yes.

Councilmember Yukimura: Or grants...

Mr. Saiki: Or we just take the loss.

Councilmember Yukimura: What will that do to the viability of water
operations?

Mr. Saiki: Well, I have not decided or estimated what the
amount is, so I do not know if it is significant. You have to understand that these are
FRCs, so the only thing we can spend that on is on expansion, so operations of the
system. The existing system is paid by the water rate users. FRC money just limits
how much we can expand.

Councilmember Yukimura: You are going to have to expand to
accommodate the growth that you are going to be allowing, right?

Mr. Doi: If water is available, then growth can occur.

Mr. Saiki: Yes, then they do not get (inaudible).

Councilmember Yukimura: Then how are you going to provide affordable
housing into the future?

Mr. Saiki: We are not providing; we are assisting what
the provision...

Councilmember Yukimura: I know.

Mr. Saiki: If it is a large development—let us use Lima
Ola as an example. There are two (2) ways when large developments come in that

water systems are put in. Either we go and put it in or the developer puts it in and they receive an offset on their FRC.

Councilmember Yukimura: Offset on what?

Mr. Saiki: The FRC. Basically with Lima Ola, what we did was, and with the help of the County, we received State funds to build an extension to our Hanapēpē waterline to feed 'Ele'ele, and it is in design right now, so we received four million five hundred thousand dollars (\$4,500,000) for that.

Councilmember Yukimura: You are not going to get it from a developer of affordable housing. That is almost contradictory. You have the affordable housing projects coming in saying, "Give us a break," and then you are going to take it from the project. If you do not take it from the project, you have to get a special state fund grant. Why do you not do it for Līhu'e where you really need the water, too, and we prefer to have affordable housing in Līhu'e?

Mr. Saiki: Because we do not have any water restrictions or meter restrictions in Līhu'e at the moment.

Councilmember Yukimura: Do you have enough water infrastructures to support the projected need for affordable housing?

Mr. Saiki: For the immediate future, yes.

Councilmember Yukimura: No, I am talking about long-range.

Mr. Saiki: As the Department of Water, we do not buildout our system because it affects water quality. Right now, if we say we are built to the ultimate buildout, our whole water system was built to ultimate buildout, we would have water quality problems. Why? Because the water would sit too long in the pipes, the pipes would be too large, and our treatment plant and wells would be too large. So what we do is build incrementally as the system grows.

Councilmember Yukimura: I know, but you do not want to be put into a position where you need the next increment of affordable housing and you do not have the water system.

Mr. Saiki: Yes, so we are planning all of those. We have the eighteen (18) inch waterline.

Councilmember Yukimura: Do you have the money for it in Līhu'e?

Mr. Saiki: We have money for the projects we have scheduled.

Councilmember Yukimura: No, I am talking about future projects because that is where the General Plan says we need growth.

Mr. Saiki: Yes, but when is that happening?

Councilmember Yukimura: That is why there has to be coordination between you and the Planning Department. Why are we going to Hanapēpē if the key project is here? What is the policy that is saying for market housing that can recoup the moneys, we are going to make somebody else pay, either the taxpayers or future growth, rather than make them pay their fair share of the cost of development?

Mr. Saiki: I am not sure if I understand.

Councilmember Yukimura: You are saying that you are going to give a big break to market housing. Your rules are not providing that. You are not requiring them to be affordable. You are saying that they could build a single-family house, sell it for six hundred thousand dollars (\$600,000), and they would get the break.

Mr. Saiki: That is the multi-family. They would convert an existing legal home to a multi-family home.

Councilmember Yukimura: Yes. Then do that. Use that example.

Mr. Saiki: Yes. That is what we confirmed with the Chair.

Councilmember Yukimura: Do you think that is good public policy?

Mr. Doi: One benefit is that they would put more housing available to people.

Councilmember Yukimura: Yes, but you are saying who pays for it? If it is market housing, they are going to get profits and rent. So are we going to subsidize their profits and rents?

Committee Chair Chock: I think they might have answered you previously, so I do not know if going through this repeatedly is important. Councilmember Hooser.

Councilmember Hooser: I just have a brief question. It is my understanding that the proposed rule applies primarily to affordable housing as defined by County ordinance certified by the County. Is that correct?

Mr. Saiki: Yes.

Councilmember Hooser: That is what we are doing here. We are providing reduced charges to affordable housing, as certified by the County. Correct?

Mr. Saiki: Yes, and in the second part of the rule.

Councilmember Hooser: Okay. That sounds good to me. If the subsidy, which it is, has to be passed on to other ratepayers, I think that is traditional in whatever subsidies we do, whether we pass them onto County ratepayers or water users. I think that is how subsidies work.

Councilmember Yukimura: That is not what I am talking about.

Committee Chair Chock: Councilmember Yukimura...

Councilmember Hooser: If you can let me finish, Councilmember Yukimura.

Councilmember Yukimura: Okay.

Councilmember Hooser: The issue of the multi-family that the Chair brought up where someone still gets a break by converting to multi-family and it is not certified as affordable, that I think is what I am hearing is the problem or the issue.

- Mr. Saiki: We can take a look at that.
- Councilmember Hooser: You will work on that?
- Mr. Saiki: Yes. This is not etched in stone.
- Councilmember Hooser: Okay. I am just trying to get clear on it. That is what I am hearing.
- Mr. Saiki: Okay.
- Councilmember Hooser: The question about the ability of the Department of Water to adjust its rates—for example, property taxes, the more expensive the home, the more value and more property tax. Could the Department of Water adjust their fees so that the very high-end, for example, construction would pay a higher rate than a middle-class home?
- Mr. Saiki: I believe we have to assess across the board equally.
- Councilmember Hooser: With exception of the affordable?
- Mr. Saiki: Yes.
- Councilmember Hooser: Thank you.
- Mr. Saiki: Or at least the unit rate needs to be assessed across the board. We can look into that.
- Councilmember Hooser: Thank you for the effort you made so far. I appreciate that and I think it is a good, solid step. I think all of our intention is to find a way to make affordable housing real for more people. Thank you.
- Committee Chair Chock: Does anyone else have questions?
Councilmember Yukimura.
- Councilmember Yukimura: Can you make an amendment that can be done at the time it comes back after the public hearing?
- Mr. Saiki: I am not sure I understand that.
- Councilmember Yukimura: You said you were willing to look and maybe modify the proposal.
- Mr. Saiki: Once we modify it and change it, we would have to go back to the Small Business Regulatory Review Board. It should not be that big of an issue because it is not like we are increasing it like we did before.
- Councilmember Yukimura: There are two (2) different things: one is the system cost, which is the FRC, and the water rates are the ongoing operational costs. That pays for ongoing operations.
- Mr. Saiki: Yes.
- Councilmember Yukimura: So you were saying in answer to Councilmember Hooser's question that you cannot modify the rates based on end user use, except quantity...rate factors in quantity.

Mr. Saiki: Yes.

Councilmember Yukimura: That has to be across the board.

Mr. Saiki: For the FRC, I have to check if we can do a high-priced home, if the FRC is higher than an affordable rental.

Councilmember Yukimura: Try that again?

Mr. Saiki: I think what Councilmember Hooser was asking is with the FRC, that since we are doing a lower rate, can we do a higher rate for higher-priced homes? I have to go and check.

Councilmember Yukimura: Okay. Thank you.

Committee Chair Chock: Councilmember Kagawa.

Councilmember Kagawa: Do you have a schedule that shows the change in the FRC rates for the past twenty (20) years?

Mr. Saiki: We do not have it right now.

Councilmember Kagawa: You do not have it right now?

Mr. Saiki: No.

Councilmember Kagawa: But it went up from the 1990's...it was about one thousand five hundred dollars (\$1,500) maybe?

Mr. Doi: Right. It was four hundred twenty dollars (\$420).

Councilmember Kagawa: Four hundred twenty dollars (\$420)?

Mr. Saiki: It was zero (0) at one point.

Councilmember Kagawa: It was four hundred twenty dollars (\$420)...

Mr. Doi: Then it became two thousand six hundred dollars (\$2,600).

Councilmember Kagawa: Then it became two thousand six hundred dollars (\$2,600)?

Mr. Doi: Yes.

Mr. Saiki: And then four thousand six hundred dollars (\$4,600).

Councilmember Kagawa: It became four thousand six hundred dollars (\$4,600)?

Mr. Doi: Yes, and then fourteen thousand dollars (\$14,000).

Councilmember Kagawa: So it jumped from four thousand six hundred dollars (\$4,600) to fourteen thousand dollars (\$14,000). What was the time between four thousand six hundred dollars (\$4,600) and fourteen thousand dollars (\$14,000)? How much years?

Mr. Doi: About ten (10) years.

Councilmember Kagawa: For ten (10) years, it stayed at about four thousand six hundred dollars (\$4,600). Okay.

Committee Chair Chock: I have a follow-up. Would you folks, in response to the question, and it does not have to be now, but in the future get...

Mr. Saiki: We can give you a timeline.

Committee Chair Chock: I think a lot of the public is like, "Wow, we understand increases," but can you validate fourteen thousand dollars (\$14,000)? Can you give us a breakdown basically of what those fourteen thousand dollars (\$14,000) go towards for the consumer? Is that possible?

Mr. Saiki: Yes. We have a whole FRC rates study done.

Committee Chair Chock: Thank you.

Councilmember Kagawa: Can I follow-up on your follow-up?

Committee Chair Chock: Yes.

Councilmember Kagawa: If you can help me understand, a lot of the need for the FRC is for future expansion in whatever area.

Mr. Saiki: Yes.

Councilmember Kagawa: Say it is in Līhu'e, do you keep all of those FRCs separate by district?

Mr. Saiki: No, we consider the whole County, our whole system, as one (1) benefit. Some mainland water districts are larger and have different kind of demographics. They will have different benefit zones, so they will have different charges per benefit zone because the water is cheaper or easier to get. For us, we consider it one (1) benefit zone. Yes, we collect your money over here, but the expansion of the system can be somewhere else.

Councilmember Kagawa: Where ever it is needed? You have that excess of collection over the years.

Mr. Saiki: Yes.

Councilmember Kagawa: Okay. Thank you.

Committee Chair Chock: Councilmember Yukimura.

Councilmember Yukimura: When was your last FRC study done?

Mr. Saiki: For this rate increase? We just completed it when we increased the rate.

Councilmember Yukimura: Okay, so it is pretty current?

Mr. Saiki: Yes.

Councilmember Yukimura: You say it is for future expansion, but is it not, in fact, the cost of the system that it takes to support the house that is being built? It is not like it is for a future...

Mr. Saiki: The way the FRC is calculated is based on what we foresee as our future projects and we break it down to the unit cost per gallon for the capacity that we have to provide. So I believe like for this rate study, the cost was eighteen dollars and forty-two cents (\$18.42) per gallon.

Councilmember Yukimura: Okay. Is the theoretical framework not...let us say there is a unit that wants to come up in Molokoa and they are able to build because of the existing system, which they did not pay for, but they are going to benefit from the people who paid for the system, so their FRC charge is to be...

Mr. Saiki: It is like their buy-in...

Councilmember Yukimura: They are paying it forward, kind of.

Mr. Saiki: Yes, and they are buying kind of like a piece of the system.

Councilmember Yukimura: So they are buying a piece of the system and that is going to help for future expansion?

Mr. Saiki: Yes.

Councilmember Yukimura: Okay. Thank you.

Committee Chair Chock: Any other questions? Councilmember Kuali'i.

Councilmember Kuali'i: So you used the term "expansion," but it is also just about maintaining and replacing...

Mr. Saiki: We cannot use FRC for maintenance...

Councilmember Kuali'i: So it is only for new expansion?

Mr. Saiki: Yes. You might see FRC charges or describe a project as a replacement and upgrade where we increase an old four (4) inch pipe to a six (6) inch pipe, so that extra portion, we use our FRC money on, and the replacement of the four (4) inch portion is the water utility rates.

Councilmember Kuali'i: Thank you.

Councilmember Yukimura: So it is actually capital versus maintenance costs?

Mr. Saiki: Well, it is all kind of capital because when we replace pipes, it is a capital project, too, but maintaining the status quo of the system versus making it larger.

Councilmember Yukimura: So the FRC is a capital cost, basically?

Mr. Saiki: Yes. We cannot use it to run the system.

Councilmember Yukimura: Right. It is a system development cost. That is how some counties call it. Okay. Thank you.

Committee Chair Chock: Kirk, you talked about different avenues to help affordable needs. You were talking about grants and so forth. Then you said that you folks need to come up with that figure, whatever it is that you think you might be able to attribute from a business standpoint to affordable development, which I think some people have issues, just as I do now, in looking at how we are moving forward with the rules. How do you make that determination of what that figure is and when will you do that, in light of the direction that we are headed?

Mr. Saiki: Ideally, if someone gave us their roadmap now, which nobody can do, it would be perfect and then we could plan. We are going to do estimates. It might be wrong or it might be right. The other way is if we get enough...say Lima Ola, we had enough lead time to prepare for it, so we could go out and get the money and we could get the project going that we needed to.

Committee Chair Chock: So you do not have a specific fund that you are putting into for this specific need of affordable housing in the future?

Mr. Saiki: No.

Committee Chair Chock: So you just go based on request? Okay. Any other questions for the Department of Water? Councilmember Yukimura.

Councilmember Yukimura: Is the General Plan not supposed to be that long-term plan that gives you some guidance?

Mr. Saiki: But it does not have a timetable.

Councilmember Yukimura: Yes, it does. It has a span of time, which I believe is twenty (20) years.

Mr. Saiki: Yes, twenty (20) years. Do we do it at year nineteen (19)? Year ten (10)? Year five (5)? Say we expanded the system and increased pipe sizes for ultimate buildout and we did it in ten (10) years here; then we are going to have ten (10) years of operational problems with the water system. So what we would like is this fine line between actually being able to predict something and getting the projects into the ground.

Councilmember Yukimura: Then you have the community plans that are theoretically a shorter time for implementing the General Plan more clearly.

Mr. Saiki: Look at Kohea Loa and how long that took.

Councilmember Yukimura: What is Kohea Loa?

Mr. Saiki: The Hanamā'ulu triangle.

Councilmember Yukimura: Right. Well, we have the 2008 crash, which caused a big interruption that was not expected.

Mr. Saiki: Say if we expand the system at the time we thought they were first going to build, we would possibly have problems with controlling our water system.

Councilmember Yukimura: Right.

Mr. Saiki: A lot of times, as the project gets into the more committed stage, then...

Councilmember Yukimura: If there were some clarity in terms of a plan for affordable housing and they said, "We want to do housing in Līhu'e over this period of time," because it is a "chicken and an egg," they will say, "We are not going to do housing in Līhu'e because we do not have the water."

Mr. Saiki: That is why we look at consumption and a lot of engineers who do water master planning, what they look at is the water consumption, rather than a date. That triggers when projects need to get started. In other words, as the water rate goes up, whether it is fast or slow, you may have projected this project to happen twenty (20) years from now, but growth is happening and you can see the water consumption going up, then it triggers design, land, and position. We do monitor the water consumption to determine what our system capacity is.

Councilmember Yukimura: I cannot imagine that. We are not the first jurisdiction facing this issue of how we coordinate water infrastructure and land development.

Mr. Saiki: Yes, and we do it like everybody else.

Councilmember Yukimura: Do you not have modules that you add-on as you grow?

Mr. Saiki: Once we have defined projects and commitments.

Councilmember Yukimura: Well, the defined projects are not going to happen if there is no water.

Committee Chair Chock: Do you have more questions? I want to get us to the Housing Agency because I think the big question in relation to the Additional Rental Units (ARUs) that the Council is looking at moving towards affordable inclusion, and I think we want to know if there is clarity that...if the Council is moving in that direction, that the rules that you folks are entertaining now can be subject to at least fit the needs of the direction that we are headed.

Mr. Saiki: We can work with the Housing Agency to fix that first paragraph change so that it triggers only for ARUs. My understanding is that the ARU is not really a permanent program, but it is a temporary program, so we do not like to change our rules for five-year periods, and then have to change it again, because it takes kind of a long time to get that process done. It is kind of like the Charter and all of that. We can work with them and see what we can do.

Committee Chair Chock: Any more questions before we head out to the Housing Agency? Councilmember Kagawa.

Councilmember Kagawa: I was going to say that when you explained the water engineers' best practice of basing it on assumption made perfect sense to me, so I think we are having a debate and trying to micromanage them and I do not think we should be going into that area. If we want to do that, we should do a separate agenda item so that they know that we want to debate their rationale for

doing things. Then I think it would be clear. Otherwise, I think we are violating the Sunshine Law.

Committee Chair Chock: Any further questions? We are going to ask the Housing Agency to come up, but I think Kanani just stepped out. Thank you for your presentation.

Council Chair Rapozo: I have a question for the Planning Department.

Committee Chair Chock: Okay. Mike, can you come up? Kanani can jump right in as well and we can continue this discussion.

MICHAEL A. DAHILIG, Planning Director: Good afternoon, Councilmembers. Mike Dahilig, for the record.

Committee Chair Chock: Council Chair, you have the floor.

Council Chair Rapozo: Last week, Kaʻāina was here and I guess there was information or documents that they shared at the prior Committee Meeting regarding the costs of these units, and I guess he told us that they based the cost on owner-builder and that is how they got their numbers. Interestingly, yesterday I find out that the State law prohibits owner-builder projects from being rented, leased, or sold for a period of one (1) year. Was the Planning Department aware of that and still sent those numbers over?

Mr. Dahilig: In terms of the delay and being able to rent out for one (1) year?

Council Chair Rapozo: Yes, to justify and convince the Council that this was going to work and that there was a good chance that this was going to work, based on the affordability or the costs of building these structures on an existing lot. They used the numbers for an owner-builder. But I find out yesterday, and today everybody got the brochure from the Regulated Industries Complaints Office (RICO), the Department of Commerce and Consumer Affairs (DCCA) on Oʻahu, that the owner-builder exemption prohibits the rental or sale of any unit for a period of one (1) year, which would basically null and void...the person is not going to build it if you cannot rent it. I was just curious if you folks were aware of that law. If so, why would they send over those numbers for an owner-builder construction cost, making it enticing, and knowing that is just not going to be the case? I am frustrated and upset because I find out yesterday from the DCCA that they are having big issues on Oʻahu with compliance and of all of these owner-builders going out and using the exemption, but renting or selling their properties, which is illegal. I was just curious, were you folks aware of that?

Mr. Dahilig: Personally, I was not aware of that. I think you raised a concern that needs to be folded into the policy calculus here.

Council Chair Rapozo: I think that calculation needs to be tossed and not spoken of because it is just totally irrelevant. You cannot rent a unit for a period of one (1) year if you go owner-builder, which like I said, was the lure that, "It is more likely that they are going to be owner-builders." I just wanted to bring that up. I was kind of shocked when I heard that yesterday. I guess I felt like I was "taken"...I do not know what word to use. Maybe the word "conned," like, "Hey, this is attractive. It is only going to cost sixty thousand dollars (\$60,000)," and then find out, the owner-builder cannot even rent the house out. I just wanted to bring that up.

Mr. Dahilig: Okay.

Committee Chair Chock: Further questions? Councilmember Yukimura.

Councilmember Yukimura: I should know this, but I do not. It says "sell" or "lease." Is "lease" the same thing as "rent?"

Council Chair Rapozo: Yes. I spoke to Daria Goto from the DCCA office last night, as well as this morning, and this is what they are going after. This is one of the biggest problems they are having on O'ahu right now, which are people going out as owner-builder and turning and renting the property, which is against the law. If you look at that penalty phase, it is pretty substantial: five thousand dollars (\$5,000) or fifty percent (50%) of the permit value, whichever is greater, and that is subsequent, it is ten thousand dollars (\$10,000) or sixty percent (60%). They are not taking it lightly and that is the biggest abuse, according to DCCA and the RICO office, that they are experiencing on O'ahu.

Committee Chair Chock: Councilmember Kagawa.

Councilmember Kagawa: I have a clarifying question for Council Chair. I understand this a little bit more as I read it. As an older-builder, is the issue with people not hiring a general contractor? Is that the issue? Am I missing it?

Council Chair Rapozo: Yes, the Hawai'i Revised Statutes (HRS) provides an exemption for owner-builders so they can circumvent...they still have to hire a contractor for the electrical and the plumbing. As far as the structure, they can subcontract or they can hire. If you go that route, the law prohibits you from renting or leasing for a period of one (1) year.

Councilmember Kagawa: Then after one (1) year, you can?

Council Chair Rapozo: Yes.

Councilmember Kagawa: Okay. Thank you.

Committee Chair Chock: What I am looking at here is the example that was used from Ka'a'ina and the self-builder, which is the owner, is the forty-two thousand dollars (\$42,000), versus the contractor, sixty-one thousand dollars (\$61,000); this sheet, Mike, that he is talking about was presented.

Councilmember Hooser: I think it is clear information. It does allow owner-builders for their family member. So as an owner-builder, I can build an ARU and have my family live there...

Council Chair Rapozo: Correct.

Councilmember Hooser: ...but you cannot rent it out. You still could get benefits from it.

Committee Chair Chock: Yes, if you can afford it. Councilmember Yukimura.

Councilmember Yukimura: Can you charge your family member rent?

Committee Chair Chock: No, it does not look like it.

Councilmember Kualii: "Household contribution."

Council Chair Rapozo: I want to make sure I clarify why I am bringing it up, is because the discussion last week was really around affordable rentals. It was not about families or grandmas and grandpas; it was about the feasibility of someone coming forward to build one of these structures on their properties to rent out to affordable units. That was what the discussion was. What I got out of that was that it was implied that the majority of the people that are going to take advantage of this was going to be owner-builders, self-builders, because you could not really make it happen if you went out and hired a contractor. That is the only reason. I think the public gets that perception, and then come to find out, that is just not going to be the case. You cannot do that.

Committee Chair Chock: Councilmember Yukimura.

Councilmember Yukimura: I think though that in some arrangements it will be for renting to family members. I mean it will be very low rent and I do not think they will have trouble making affordability requirements or guidelines, but I think it is not unrealistic to think that a young, returning graduate would come home and work somewhere on the island and pay some rent on that unit, or even an elderly citizen could do the same. I do not think we should necessarily assume that it is only for a commercial type of relationship and that it could also include family members.

Committee Chair Chock: Right. Councilmember Kaneshiro.

Councilmember Kaneshiro: It kind of throws a wrench in everything, as far as I am thinking. We are talking about building conversions or buildings that may have the additional room that they are just going to put a kitchen in, and I am thinking, "Wait, are you not able to rent that out now?" I guess I am a little confused with this and I guess it only provides some information, so I do not know if we need all of the information on it to get the details. I know we talked about converting homes that may be already have it and I do not know how that works. Maybe somebody has already lived in it for one (1) year, so you can go and rent it if it gets permitted out. I do not know. It is kind of confusing. I do not know what the exact rules are.

Councilmember Yukimura: I have a question.

Committee Chair Chock: Councilmember Yukimura.

Councilmember Yukimura: Since this Bill came from the Planning Department, I see it as kind of the coordinator of all of these pieces to make us achieve what I think we all want to achieve. What is the Planning Department's position in terms of incentive packages and discounts for water FRC?

Mr. Dahilig: It is a good question. I do have a fiduciary relationship with the Board of Water Supply because by Charter I have to sit on the board as well. In terms of what the Water Manager did bring forward, with respect to the water proposal, I am aware and involved in those discussions. Part of the coordination here is the understanding of how to "increase the housing inventory while diversifying the inventory" as well. I think it was a policy proposal on behalf of the board members to look at focusing on a portion of that ladder of housing types that it really needs the systems. In the past, studies have been done to do facility reserve charge increases and the boards in the past have also not charged the full amount, and that was for many policy reasons. I think this particular approach is indicative of an opportunity to focus on a specific type of housing and shield them from some of the cost barriers associated with development, at least from the FRC standpoint.

Councilmember Yukimura: I agree with everything you said. The question is...that is policy, right? Which housing do we give what discounts to? As I shared at the last meeting, we did some research based on the Appleseed data, this nonprofit that has been pushing for ARUs to provide affordable housing. So far as we can determine the right to build ARUs is given to everybody, but the discounts are tied to affordability so that you are addressing the two (2) levels of availability or supply. For those that are going to be marketed into the market, they do not get any system development discount because somebody else is going to have to pay. But for those that commit to an affordability level, then they get a discount. If they move out of the affordability, they have to pay it back? They have to pay the actual full charge. I would like the Planning Department to take a look at that because we are not going to act on this Bill. I think some of us want to really be clear about the total package so that we know how it is going to work and we look to the Planning Department to help us figure that out. Thank you.

Committee Chair Chock: Any further questions for the Housing Agency or the Planning Department?

Council Chair Rapozo: I have one last question and I guess it is for both of them, but is it your perception or your position that this Bill is an inventory improvement or an inventory increase bill or an affordable housing increase bill? What is the goal here? Do we want to try to increase market inventory? What I am hearing from the Department of Water obviously is that they are trying to increase market inventory, not so much affordable, which is kind of surprising. Is that the similar position that the Planning Department and the Housing Agency is taking?

Mr. Dahilig: What is clear is that this is not just meant as an affordable housing bill. I want to be clear that we are looking at it from a product standpoint, what is being put out on the market. What we have seen or heard, at least in the battle over the past decade and a half or so, is that we have seen a widening in the type of product that is being developed, things that are either extremely affordable or things that are extremely expensive. In the context of looking at the demand over the next twenty (20) years for the General Plan, we need nine thousand (9,000) residential units on the island and that is inclusive of affordable, semi-market, market priced housing. When we look at it from a perspective of anything that can be put on the market that provides that more diversified housing stock versus something that is either extremely affordable or extremely market helps move the pendulum with respect to the upper pressures that the market is seeing right now with the current market prices. To answer your question specifically, Chair, it is partially an inventory thing, but it is not aimed at necessarily specifically targeting affordable inventory. It is looking at how do you meet the target of nine thousand (9,000) housing units by the year 2025 to maintain par with the current housing situation that we have right now.

Council Chair Rapozo: What part of the existing bill that is in front of us today, besides the word "affordable" in the purpose, addresses the affordable housing need? That is what I am battling right now.

Mr. Dahilig: I think, given what I was briefed from the Deputy Director the other day, the concern of Section 1 with respect to the phrase "affordable" was that it was brought to light. So I do concur that as the bill has evolved through the legislative process that the phrase "affordable" may not necessarily characterize the overall context and textual item in the Bill right now.

Council Chair Rapozo: That is where I am at. I hear some people say that this is going to help affordability, but I do not see it in this Bill where affordability or affordable housing is addressed. I am assuming that word is going to

be taken out in an amendment because it just does not match. Having said that, throughout this Bill, I do not see anything in there, including what I just heard from the Department of Water that addresses the need for affordable housing. Yet, it is being portrayed to some extent as that, but it is not and I just do not know any reference in this Bill that is going to give anyone an incentive to create an affordable unit.

Mr. Dahilig: I would agree in the sense that the text in the Bill right now is not specifically for an affordable housing program. That is not what the Bill is.

Council Chair Rapozo: Thank you, because that is how I read it. I am not sure about the Housing Agency. Do you folks feel the same? It is not a bad thing because we need inventory. I am not saying that we do not need inventory. I am just saying that if we are doing this for inventory, then let us call it that. Let us not hide under the term "affordable" because we know this is not...there is a cause and effect, but I am just curious to know what the intentions of the Administration and the different departments are.

KANANI FU, Housing Director: Kanani Fu with the Housing Agency. From the Housing Agency's perspective, we saw this as a bill that would be directed at inventory only. We came in supporting the Bill in the sense that if we could increase inventory within the Līhu'e area, we would decrease pricing. It is just the supply and demand rule. Further, we implied or assumed that with the eight hundred (800) square feet size limit of these ARUs, we could then imply that the homeowners could rent it at a certain rate; for example, eight hundred (800) square feet at maximum at one dollar and fifty cents (\$1.50), about one thousand two hundred dollars (\$1,200). If you bump it up to two dollars and fifty cents (\$2.50), which is a commercial rate right now in Līhu'e, just an average, you are looking at two thousand dollars (\$2,000). Our Affordable Housing Ordinance and what is affordable under the Housing policy for the County of Kaua'i serves families up to the area median income of one hundred forty percent (140%). If we are looking at, for example, a studio or one-bedroom, rent could actually be considered affordable for a studio at one thousand eight hundred twenty-one dollars (\$1,821).

Council Chair Rapozo: That is up to one hundred forty percent (140%).

Ms. Fu: Yes, one hundred forty percent (140%). If we look at the area of need of where we serve, the greatest need, which is eighty percent (80%) and below, you are looking at, if it is a studio, it is nine hundred twenty-five dollars (\$925) and if it is a one-bedroom, one thousand sixty-four dollars (\$1,064). What this also can address particularly by creating inventory is it assists our Section 8 program with inventory as well. What we are finding is that a lot of our participants...we have a thirty-five percent (35%) success rate of leasing out, which means that only one (1) of the three (3) people who qualify for a voucher actually gets into a home. So we also saw this again as an opportunity with inventory, we could utilize more vouchers, so it would benefit and indirectly affect affordable housing.

Council Chair Rapozo: Thank you.

Committee Chair Chock: Councilmember Yukimura.

Councilmember Yukimura: I agree with everything that you said, too; however, does supply hinge on how many units within a certain amount of time? If it is seven (7) units a year in Honolulu, is that really going to make enough of a supply impact to actually affect price?

Ms. Fu: The supply that was created by Honolulu was very low and we can attribute a lot of factors towards that. I think one of the biggest ones was government barrier of why the build-out did not work, which is why I think we tried to craft...

Councilmember Yukimura: Are you sure it is government barrier?

Ms. Fu: The legislation of the bill made it difficult for homeowners to meet all of the requirements. A large part of the Honolulu ordinance was the affordability requirement, which is why I think...this is just my opinion of why some of that language was removed from this Bill. Supply for Kaua'i right now...we are extremely behind. We are six hundred eighty-four (684) units behind today. Most of it is within, again, like I stated, is needed for the eighty percent (80%) and below, about ninety percent (90%) of that. I do not want to say, "We will take inventory wherever we can get it," but at this point of this time, even if this Bill was to generate twelve (12) units within the Līhu'e area...I think the estimate was about maybe fifteen (15) units a year, it is still something being generated. The County is not keeping up with the demand or development of affordable housing, so we need to begin as a body engaging public and private landowners to begin taking part in this housing crisis.

Councilmember Yukimura: What made us think that we can get fifteen (15) a year?

Ms. Fu: Well, it was very preliminary and we just looked at...again, we did not...when I say "we," I tried to get the Planning Department to look at Tax Map Keys (TMKs) and ask what kind of lots in Līhu'e could qualify. Getting that data was very difficult. We sat...I sat...I spent a lot of time going through TMKs in Hanamā'ulu and the Līhu'e area where water and sewer is available to see about how many houses. If we say like fifteen (15), what can we process? In a separate conversation, there were some estimates we used if we were to move forward with an incentive package, which is not presented right now before the Council. So we could anticipate what kind of subsidy we would need. What if the Bill was successful and forty-five (45) permits wanted to apply? We needed to gauge approximately what we would set ourselves up for in regards to subsidy if that was to be offered through this.

Councilmember Yukimura: That is why I am asking the question. When you talk about subsidy package...when I am asking to see the whole picture, that is what I am asking. If you are giving subsidies for just market units versus subsidies for affordability, that is kind of what I want to see, your end in mind is and what kind of projections you have out of that. I was told that the City and County of Honolulu did not have any affordability requirements. They did and that is what produced the seven (7) in the first year?

Ms. Fu: I know there was some affordability folded into the units because it was for affordable rentals.

Councilmember Yukimura: It was?

Ms. Fu: It is not because only those requirements contributed to the seven (7). There were other limiting factors. There needed to be parking spaces and infrastructure capacity. There were several requirements of the Bill, so it was not only...many things contributed to the low production when the Bill was in place.

Councilmember Yukimura: It is important for us to know what those factors are because if they are going to be at play here, we are going to get the same kind of rate of return, so to speak. Right now, the Bill requires a parking space. Does it not?

Ms. Fu: Yes.

Councilmember Yukimura: If that was a major obstacle, then we would have to assume that the supply from this Bill is going to be so slow that it is not really going to impact...it is not going to get us to where we want to go, which is enough supply to affect price to at least stabilize rents in Līhu'e.

Ms. Fu: Yes.

Committee Chair Chock: Council Chair Rapozo.

Council Chair Rapozo: Did the O'ahu ordinance have a restriction of where or was it open to everyone on the island? I should have gotten a copy of that. It was not restricted, correct?

Ms. Fu: No.

Council Chair Rapozo: I, too, thought I heard that it did not have an affordability...

Ms. Fu: It does not, but it uses the terms "affordable" throughout, so it is similar. That is the catch. I am looking at it right now.

Council Chair Rapozo: That is so that people bite, and then you say, "No, it is not really affordable."

Ms. Fu: Yes.

Committee Chair Chock: Councilmember Kagawa.

Councilmember Kagawa: We have a current ADU law that you need a lot of ten thousand (10,000) square feet or more. Did the Administration, if they are looking at inventory, look at some other methods of encouraging more inventory by perhaps saying, "Well, maybe we could use an affordable rental unit law that will waive the fifty percent (50%) lot coverage requirement and extend that to perhaps eighty percent (80%)?" I think as Council Chair mentioned last week, have we incentivized to the fullest extent our current ADU opportunities to try to add to the inventory? Is that one of the options?

Mr. Dahilig: I think you bring up a very good, illustrative point in that there is a litany of planning, water, sewer, and health requirements that in any one of those checked boxes if there is not a green light could stall the construction in the unit. The lot coverage issue that you bring up, I think, is one that predominantly comes up, with respect to people who want to add additions for their home or expand their home for their kids. It is a very real question. I look at the types of amendments you are alluding to, Councilmember, as kind of a philosophy that if we want to tackle the housing problem, there has to be many lines in the water. It is not just one bill that is going to solve this. It is looking at things like lot coverages and hopefully you will get a few units out of there, taking a look at reducing the FRC charges and hopefully you will get a few units out of there. So there is not one (1) magic formula for each lot that would come in. I think our department has been looking at, again, that phrase of "adversity of housing product," versus looking

at just “affordable” alone as a way to try to push down the hyperinflationary pressure that has been caused by the kind of separations in the market right now. If you look at what is being built on the market, houses that were five hundred thousand dollars (\$500,000) ten (10) years ago are now going for close to eight hundred thousand dollars (\$800,000) to nine hundred thousand dollars (\$900,000); whereas pay raise have not caught up with the hyperinflation in the housing market. So the only way we can accommodate that is by looking at inventory types of solutions. I think that things you bring up are things that we need to look at.

Councilmember Kagawa: I think like what Council Chair also mentioned last week was why restrict only to the Lihue District? In 1984, Waimea High School had an enrollment of about nine hundred (900) students; I graduated in that class. Today, the enrollment at Waimea High School is about five hundred fifty (550), almost cut in half. Here we are at the Council pushing everything just to Lihue. How are we helping Waimea High School with their enrollment problem? “We are not going to let you on the west side have opportunities for more units, but we are going to let it in Lihue,” where there is already enough population and enough enrollment at Kauai High School. Kauai High School is filled to the guts. They cannot take in more students without building more buildings. I am wondering how does that all tie-in? The need seems to be out in Waimea, where the enrollments in all of the schools are down, yet we are restricting this type of legislation to just Lihue. I hear that, “Well, we based it on the Lihue Community Plan,” but I do not think anybody on the Lihue Community Plan cares about the enrollment at Waimea High School. Why not extend to more districts besides Lihue, instead of just relying on the Lihue Community Plan’s advisory advice and look at the whole picture of what is happening to the island?

Mr. Dahilig: I think that policy question is certain a valid, debatable question for the Council. The Bill is not meant to be exclusive. I think that if the Bill’s idea is to provide more inventory across the island, then that is not an item that should be off the table. I think what we have always been sensitive to also is the effect of creating more density with an area urbanized in an area more intensely. That needs to be balanced when you are looking at trying to maintain a rural character in an area versus having more people move into an area. With the population projections on the island reaching eighteen thousand (18,000) additional residents by 2035, we have to put them somewhere. I think that is the spatial question that we struggle with, in that do we put all eighteen thousand (18,000) residents out in Waimea? I think they may have a say with that. That is where the balancing comes in. It is definitely not off of the table.

Councilmember Kagawa: That is why my suggestion came in. You just mentioned “ruralized” and I would think that you keep it more rural if you allow those additional rental units or additional dwelling units to be built on a bigger lot, rather than cutting the lot size into one-third or one-half of what the current law says. I think you move a lot more to the urban area if we go with the way this Bill says, rather than increase lot coverage on our existing acceptable lot area of ten thousand (10,000) square feet. That is why I bring up that suggestion, because to me, that way we do not hurt the rural character as much.

Mr. Dahilig: It is very clear across the island that our individual communities have very unique ways of seeing their identity. When we talk about very tighter homes, tighter lots, some people in Lihue may like that, but people in Waimea may not. I think the idea of creating an island-wide policy surely and certainly has merit, but when its gets to the way your community looks, individual communities, we tend to be sensitive to that because people are emotionally attached to the way their communities look and feel. If we need to push the needle towards

more inventory, we also need to balance and be cognizant of how the community will respond emotionally to changes and they need to be okay with the changes.

Councilmember Kagawa: Thank you.

Committee Chair Chock: Councilmember Yukimura.

Councilmember Yukimura: It is my understanding that Waimea was slated for a lot of the affordable housing, and in fact, when we were discussing Lima Ola, one of the water representatives said that they had worked with a lot of lead time to provide water and sewer in Waimea and now we are shifting and without much lead time for them to make the infrastructure development in Hanapēpē/‘Ele‘ele. I am not sure that it is a lack of additional rental units in Waimea, but maybe some other obstacles, including lack of focus, that is not allowing for affordable units or just growth and residential growth in general in Waimea. Anyway, they may not need an ARU as much as they may need some focus on making some projects happen. There are quite a lot of ideal lots for housing development there and water and sewer is there right now as well. If we want to have development there, we should focus on it. If we put in place these things and get a low rate of development, that means we are not addressing the real obstacles, would you say? Maybe in Honolulu as well, we are not really identifying what the obstacles are?

Mr. Dahilig: I hate to characterize it in this way, but in some respects, it is a trial and error process. It is something where we only by hearing...once the process is implemented by hearing from people that cannot get in the door or cannot get through the door that we are able to understand the trouble with some of these things. I cannot say with a certainty that this is going to be, if it was implemented, an easy “fit-all” for everybody.

Councilmember Yukimura: Okay.

Mr. Dahilig: Like Vice Chair Kagawa mentioned, it may have to do with the lot coverage issue that we have to resolve first. We are prepared in a sense to try to look at tackling each one of these nuanced, red light/green light issues, but I cannot say with the certainty that we are not going to run into limitation issues.

Councilmember Yukimura: Okay. I did last time talk about Barnstable, Massachusetts where they incentivized affordable housing. They require that you put in a deed that you are committed to renting it at affordable rates, but then they offered a loan program. I think we can tell just by the calculation of costs that it would be really hard to have those units be rented at affordable rates. They have a “no interest” loan up to twenty thousand dollars (\$20,000), so that is going to take off the top of the eighty thousand dollars (\$80,000). We may need to actually put in place these different pieces to incentivize what we want to happen. I just want to say that this Bill, Bill No. 2627, Draft 1, it says there is an urgent need to address the shortage of available rental housing units. It does not say anything about “affordable.” In the end, it says, “The purpose of this Ordinance is to encourage and accommodate the construction of additional rental units and to increase the number of affordable rental units.” To me, it is articulating double purpose; it is articulating the need to increase inventory and the need to increase...in fact, we are saying that we feel that if you have an increase in inventory fast enough to have an impact on supply, you want to stabilize price. But we could aim to do both where we incentivize inventory just by allowing it to happen, and then we incentivize affordable housing by giving even bigger incentives, whether it is loan programs, waiver of FRC, or those kinds of things. We could try to do both.

Committee Chair Chock: Do you have a question?

Councilmember Yukimura: I am putting it out as a way to stimulate the thinking so that we can develop this together.

Committee Chair Chock: I do not mind it, but do you have a question in it?

Councilmember Yukimura: What do you think of the idea?

Mr. Dahilig: I guess I would say this benefit. In looking at incentives, there is also just one line—providing all of the incentives in the world is not going to solve the affordable housing issue. The reason why is that at the rate we are going, given the amount of the hyperinflated price of homes that is currently on right now, even if we were to say, shave off four thousand dollars (\$4,000) or five thousand dollars (\$5,000) here or ten thousand dollars (\$10,000) there, the margins between developing mid-level housing and high-level housing from the market standpoint is in the order of hundreds of thousands of dollars. The incentives that can be provided will help, but it should not be viewed as the only element of trying to get somebody through the door. I am addressing the question concerning “what do I think about incentives as being part of the package?” I am not saying that incentives are not useful, but what I am saying is that incentives plus other things have to be looked at in order to get them through the door.

Councilmember Yukimura: Exactly. If we are talking about...what is the figure? Sixty thousand dollars (\$60,000) and eighty thousand dollars (\$80,000)?

Committee Chair Chock: Forty thousand dollars (\$40,000) for self-build and sixty thousand dollars (\$60,000) for contracted.

Councilmember Yukimura: In that world, a twenty thousand dollar (\$20,000) no interest loan could make a difference, could it not?

Committee Chair Chock: It is a four hundred (400) square foot home addition.

Councilmember Yukimura: Right, so we are not talking about trying to shave off the difference between a two hundred fifty thousand dollar (\$250,000) house and a six hundred thousand dollar (\$600,000) house.

Committee Chair Chock: I have other questions around the table.

Councilmember Yukimura: Very good. Thank you.

Committee Chair Chock: I want to get through the questions. Council Chair Rapozo.

Council Chair Rapozo: I guess the Bill clearly states the need for affordable, and then lists the purpose of this ordinance. I will make sure that is clarified. The other thing is we already talked about the self-build, so using that number to me is disingenuous in a nice way, because that is not going to happen. You cannot rent that unit out for one (1) year. Eighty thousand dollars (\$80,000) for an eight hundred (800) square foot property—find me a contractor that can do that. That is what I will do. I will buy pay him eighty thousand dollars (\$80,000) and I will sell it for one hundred sixty thousand dollars (\$160,000). That is about what it costs right now, about two hundred (\$200) a square foot. Is that correct?

Mr. Dahilig:

We have to get the data on that.

Council Chair Rapozo: I have friends who are contractors and they cannot do it for eighty thousand dollars (\$80,000). I guess what I am asking you folks and us on this table is when we start referencing numbers, let us do real numbers because eighty thousand dollars (\$80,000) for an eight hundred (800) square foot is not practical if you are going to hire a contractor. That is what I am trying to say. The Bill came from you folks with the restriction to the Līhu'e Planning District, right?

Mr. Dahilig:

Yes.

Council Chair Rapozo: But then I hear you say earlier that you would not have a problem if we extended that out.

Mr. Dahilig: I think as long as the analysis does look at capability island-wide, because each community is different, right? The Līhu'e District has come out and said that they were okay with this.

Council Chair Rapozo: Yes, but it is the organization that did the plan.

Mr. Dahilig:

Yes.

Council Chair Rapozo:

Right.

Mr. Dahilig: They have said that is what the policy is for this area. With respect to other areas on the island, I do not have an answer for that. It could very well be a yes. If the community is okay with it, I think it is a good idea to look at it from an island-wide standpoint.

Council Chair Rapozo: You are talking about Līhu'e, Hanamā'ulu, and Puhi...I do not know...when you look at what you call "the thirty thousand (30,000) feet view," I do not know of too many areas have this type of available lands, as far as people adding units. Hanamā'ulu and Puhi are maxed out. If you move a little over to Wailua Homesteads and House Lots, there is a little bit more space and I think there is a lot of people, including myself, that I would actually consider building another unit in my small backyard for my daughter and her boyfriend. I cannot do it right now, but I am not even allowed to with this or anybody in my situation would be prohibited if they lived outside of the Līhu'e Planning District. If our true goal is to build inventory and if Honolulu, with one million four hundred thousand (1,400,000) people, had I think ten (10) applications or whatever it was, what makes us think that the Līhu'e Planning District is going to give us fifteen (15) a year? Again, I am being a realist. Councilmember Kagawa brought up a good example or reason for the west side about the enrollment at the school. The Department of Education (DOE) even considered moving the district boundary over to get more people out to Waimea. Why should they not have an opportunity to help their families? Right now, you have people living in Līhu'e because there are not just no rentals out there, working in Waimea or on the base, and then driving back. We could alleviate some of that. So you would not have a real big problem.

Mr. Dahilig: If the Council would like us to explore an island-wide solution along what is currently being proposed, that is something that we can definitely provide the research and support for. Again, nothing is off the table. With respect to this particular Bill, we approached it from this standpoint because Līhu'e had already through their planning process spoken, and again, we are always very sensitive to how each community responds to a proposal like this. If you would like us to do the legwork for an island-wide type of thing, we definitely could do that.

Council Chair Rapozo: I think the bigger question would be for probably the Attorney or staff that this Bill is really...the title is specific to the Lihu'e Planning District; so should we go outside of the Lihu'e Planning District, would that require a new Bill? I think it would.

Mr. Dahilig: In particular, yes, because this is not a Chapter 8 bill, this is a Chapter 10 bill. So the Chapter 10 provisions in the Code are meant as spatially specific codes versus those of the general code in Chapter 8.

Council Chair Rapozo: Thank you.

Committee Chair Chock: Councilmember Kualii.

KA'ĀINA HULL, Deputy Planning Director: Council Chair, for the numbers that are being used, the forty thousand (40,000) and sixty thousand (60,000), those were regarding...I did meet with contractors to discuss that specific number. We did not pull that number disingenuously out of the air. We did our due diligence and met with contractors. At the same time, I will also state that that number was not derived specifically for a new standing structure. It was looked at, at the vast majority we would anticipate would be conversions of existing structures into another unit. So when they were looking at the conversion, there was no additional building, essentially a new wall and converting a closet say into a bathroom and turn that three-bedroom, single-family dwelling into two (2) multi-family units; one with one-bedroom and one with two-bedroom. The contractors were coming back with their rough estimate that they could buildout if they were building that sixty thousand, and if they are building it themselves, they would do a self-build and do it roughly at forty thousand (40,000), but that was solely with regards to the conversion of this roughly four hundred (400) square foot conversion. It does not apply say...if you are looking at new standing structures, indeed, that price almost doubles, if not more.

Council Chair Rapozo: Did you get a number from them as far as a new structure?

Mr. Hull: No, but we can get that number.

Council Chair Rapozo: I believe it is two hundred dollars (\$200) a square foot is kind of what the general number is. The other question I asked earlier before you came in is if you were aware that on a self-build, they cannot rent the unit out for one (1) year.

Mr. Hull: Indeed, it would not necessarily add to the inventory that is being rented, but looking at a lot...we would have discussions with members of the public, as well as violations that are going on out there. There are several, I would say "households," in which you have multi-generations living in a single house. With a self-build, it will not go out on the rental market, but to address the needs of that multi-generational family living under one (1) single roof, and would thereby address their needs while simultaneously taking those individuals off of the rental market because they cannot find housing.

Council Chair Rapozo: I understand, but maybe I just read too much into the Bill. When I read the purpose, maybe I am "anal" or whatever you want to call it, but this Bill specifically was for additional rental units and affordable rental units. That is what I am envisioning. We are going to allow people to build a structure or convert the structure to rent.

Mr. Hull: Yes, and I know we got into the discussion somewhat at-length at the last council meeting and forgive me for not realizing at that meeting that much of that actually was in reference to some of the incentives that we have originally folded into this draft ordinance that we ultimately decided it would be best to remove to have it as a separate package and that was when “affordability” was in play at that time, originally, and quite frankly, indeed we should have removed that section at the same time that the incentive package was removed as well.

Council Chair Rapozo: Okay. Thank you.

Committee Chair Chock: Councilmember Kualii.

Councilmember Kualii: Along the lines of what Council Chair was talking about as far as making this opportunity available for other communities outside of the Līhu‘e Planning District, on the homestead lands in Kekaha, Anahola, and Hanapēpē, and there are even homestead lands available for residential development in Wailua—the average lot is ten thousand (10,000) square feet and many of the older lots are even larger than that. I was just at a homesteaders’ summit the other day and they were talking about tiny homes and the possibility of expanding of housing on the lots existing with tiny homes, but then their only concern was what would the County allow? So they talked about how maybe the only way they could do it is to attach it to the existing house, whereas if we did something like this, it would open that up as well. I think that would be important, as far as additional housing. First and foremost, primarily for expanding families, but then also if it could be worked out with the department to also have additional rental income for extended families or a non-family. I have a question for Kanani. When you talked earlier about the one dollar and fifty cents (\$1.50) per square foot and two dollars and fifty cents (\$2.50) per square foot, were you pulling current market rates?

Ms. Fu: What I was looking at is we do not have a particular number or area average square footage cost for residential because it is based on location, unit size, and amenities offered in the home. The connectivity I was making with that is what we do have is some average data on commercial space, so we could infer that because commercial spaces are two dollars (\$2) to two dollars and fifty cents (\$2.50). Residential rates would never be that high. At the high-end, where people charge residential and commercial rates are charged the same for prime units at two dollars (\$2) to two dollars and fifty cents (\$2.50) per square feet. My point to the Chair was that we would still be within our affordable guidelines under the housing policy; however, we do recognize that the greatest need for rentals is within the eighty percentile range, which is lower than what the units would be rented for.

Councilmember Kualii: I do not know if would be the Housing Agency, the Planning Department, or maybe even the Office of Economic Development, but it seems like there is the past. There must be a way to look back ten (10) years or twenty (20) years to see what has happened, especially when you talk about supply and demand. What have the rates been like and how has supply changed and how has that changed the rates?

Ms. Fu: We have some of that data. It is very skewed and a lot of reason for it being skewed is that some of it...so we use HUD calculations, which are taken off of studies conducted, American Community Survey (ACS) studies conducted every five (5) years, and that is skewed because there are a lot of rentals that go under the radar as well, people who rent.

Councilmember Kualii: So you do not have the data.

Ms. Fu: So that number...if you look on Craigslist, for example, you have units in Līhu'e as low as nine hundred dollars (\$900)...for the same it is one thousand four hundred dollars (\$1,400)...it is what the market will bear and what people will pay. That makes it difficult to calculate a real average cost of what housing units can go for. If you can afford it, you will live in it and you will pay for it. That is kind of where we are at right now. We are in such a dire need of housing, we are willing to pay a price unfathomable and to put our families into a one-bedroom house. We will compact them just to have somewhere to stay. I wanted to follow-up with your Hawaiian Homes comment that the concern about not being able to do additional units is not a County policy. There is a policy of Hawaiian Homes that prevents lessees from building additional units without it being attached. So there are some administrative policies that need to change in the department to allow for the extension.

Councilmember Kualī'i: I know that is being dealt with.

Ms. Fu: This Bill, to my understanding, was presented for the Līhu'e area, one, because the community had stated that they wanted something like this or would support an additional rental unit type of bill, but also because the infrastructure or capacity can handle that. For example, on the west side, if they have a cesspool, there is a high cost of conversion of converting it to septic to allow for an additional new unit. Though we could expand this Bill beyond the Līhu'e area, we would have to consider infrastructure costs for these families that reside outside of this area.

Councilmember Kualī'i: Thank you.

Committee Chair Chock: Councilmember Yukimura.

Councilmember Yukimura: So I wanted to ask Ka'āina about that eighty thousand dollar (\$80,000) figure. Was that just materials and labor or did that include fees and other development costs?

Mr. Hull: There is no eighty thousand dollar (\$80,000) figure that the department gave. The figures that the department gave was for a specific three hundred eighty (380) square foot conversion of an existing structure into a multi-family dwelling unit, i.e. an ARU attached, and a self-build came out to roughly forty-two thousand dollars (\$42,000) and a contractor came out to roughly sixty-one thousand dollars (\$61,000). Also prefaced with that, the contractors that I also spoke with gave the caveat that that is the standard post on peer example. There could be situations particularly if it is on slab and would be more costly, but that was just given for this particular example. That included labor, material, architectural engineering fees, fixtures and appliances, FRC, and a sewer hookup. Indeed, those prices could expand, say if there was no sewer and say that their cesspool could not accommodate that additional conversion, then they would have to increase the septic system...

Councilmember Yukimura: Okay. So it assumed availability of water and sewer.

Mr. Hull: Correct, which in our discussion with both the Wastewater Division and the Department of Water, there are available meters in the Līhu'e Planning District and near a sewer line, there is capacity for additional sewer hookups.

Councilmember Yukimura: Okay. So you said that was sixty thousand dollars (\$60,000) for the contractor-build.

Mr. Hull: Approximately sixty-one thousand dollars (\$61,000) is what we had.

Councilmember Yukimura: Okay. Thank you.

Committee Chair Chock: Any further questions? I think the amendments were talked about and circulated the last time. Really, we do not have any amendments ready today is my understanding, so we are going to defer this. The big question was the responses from the Administration, in terms of the lot size coverage increase, and then also the potential amendment on affordability. I just want to be clear that those are two (2) directions that we can support, moving forward from the administrative point of view.

Mr. Hull: In both of those scenarios, the department can be supportive.

Committee Chair Chock: Okay. Any other questions? We can expect those amendments to be circulated and voted on the next time from committee members and those introducing.

Councilmember Yukimura: Do you know if it is to defer for two (2) weeks or do we have a specific date?

Committee Chair Chock: Can we confirm a date? In two (2) weeks? Okay, so a straight deferral, July 27.

Councilmember Yukimura: Okay, so just a simple deferral will do then.

Committee Chair Chock: Okay. Good. Are there any other comments for the Administration? Are there any other comments from the members before we defer this? Councilmember Kaneshiro.

Councilmember Kaneshiro: Considering everything that we discussed, is it the recommendation, which I think I heard, but I am just confirming, to continue to move forward with this Bill or is it to look at doing a more island-wide policy?

Mr. Dahilig: I think that is really a question for the Council. Again, if the body wants to move forward in looking at an island-wide policy, we can certainly support that as well, in terms of research, background, and trying to do the planning work for it. It really becomes a "how you want to approach the issue" kind of question as to if you want an island-wide policy or you want something that is kind of specific. I would say that at the end of the day, as you alluded to earlier, is an issue of opportunities for inventory. Thus so, I would not provide a specific recommendation as to what the best vessel to meet that policy desire.

Councilmember Kaneshiro: For me, we concentrated on the Līhu'e area and I guess I do not have a clear understanding. For the island-wide policy, is the policy going to be similar or are there going to be tweaks to it because now we looked at such a specific area that we felt the Bill could fit here. But if we make it island-wide, are there going to be things that are different because now we have to look at a whole broader spectrum of communities and things like that?

Mr. Dahilig: That is the analysis that we can help provide if they are going to look at more policy guidance from the Council as to how you would want to island-wide program to look like. At this point, we have something that is very matured in this Bill in terms of research and discussion. Something like that, we

would really have to look at. By the way, "Happy Birthday," Councilmember Kaneshiro.

Councilmember Kaneshiro: Thank you. I thought I could get away with not having anybody say it today. Also, what is the lowest-hanging fruit? Is this Bill the thing that we should do island-wide or is there something else that might be able to maybe fit the island a little better, maybe like an ADU type of bill? For me, it is really hard to figure out what the best thing is. We do have the housing crisis, but is it like this, plus another layer of ADU, plus another layer of something? What would be the biggest bang for our buck? We can start with that and maybe try to continue to expand.

Mr. Dahilig: The Housing Director also wants to chime in, but I would just say that I would stand by my earlier comments that anything is good at this point, with respect to trying to throw as many lines in the water. There is not going to be one (1) omnibus bill that is going to solve this issue. It is going to be a number of different policy tweaks and approaches and this is one avenue that could be looked at.

Ms. Fu: Yes. To just echo what the Planning Director said, the Housing Agency takes a multipronged approach to the housing scenario on Kaua'i and it is not only specifically "we made a bill with Planning," right? We are looking at policy implementations with the Department of Public Works and the Department of Water. So whatever lines we can throw in, what you bring up in regards to expanding this beyond the Līhu'e Planning District can be done. As the Planning Director mentioned, it would have to be done under a different chapter of the Planning Department, Chapter 8 instead of Chapter 10, but we can look at other areas that can support the additional rental unit. The County Engineer mentioned that Waimea is becoming sewer, so there are water capacities there. Hanapēpē has the potential to become sewer. As the community infrastructure upgrades happen, we should be looking at policy to direct development in those areas. Yet, all of Kaua'i be afforded this opportunity to create and participate in creating a housing inventory.

Committee Chair Chock: Councilmember Hooser.

Councilmember Hooser: I agree that one would think that all parts of the island should be considered, but I also think that with this Bill, we are trying to use this as a vehicle. It had to go all the way to the Planning Commission, be a new thing and it would take another six (6) months or so. Correct me if I am wrong, but you mentioned some of the reasons why Līhu'e was chosen; one was that the community plan called for higher density, and one is the existence of sewers. But I do not believe you mentioned the design districts in walkable communities, as well as job centers, and one that is near and dear to my heart, this does not feed directly into Kūhiō Highway/Kapa'a traffic, where some areas, if you add thirty (30) or fifty (50) new houses, they feed directly into traffic that is not moving anywhere, so it may not be appropriate. I would like to have your opinion on this, where we could do it incrementally. We can pass something, which is being discussed right now, and pass a separate incentives package, perhaps learn from our experience, and see what the strengths and weaknesses are of it, and then go out into different communities that perhaps have sewers or traffic capacity that are not in gridlock, and then introduce another bill, expand ADU, or do other things. We could do it incrementally with different measures. Can you comment on that?

Ms. Fu: That is what I was alluding to in my previous conversation in speaking that Līhu'e, because we are so far along, we would start here, and it is an opportunity for us, the Administration and the Council, to look at this area, and then go back into different communities as well. Because we had

addressed this area...because Līhu'e was there and they had their community plan already...it was a center area of job centers. It is to continue moving this Bill forward to encourage others that we can start looking at it as we move forward. I was told that we would use this as a template for future ordinances.

Councilmember Hooser: Okay.

Mr. Dahilig: Just to add to that, at the end of the day, the policy question is really for the body, in terms of how they want to roll out the program.

Councilmember Hooser: Can you speak up, please?

Mr. Dahilig: We wanted to look at the low-hanging fruit; things that we knew from a community standpoint will not cause too much disturbance, with respect to the other push and pull items that you mentioned like traffic, form and character, and these types of things. If we are looking at an island-wide policy, those questions, we can definitely try to find answers to. It really is a policy question for the Council, whether or not it would make sense to move forward with something that has the analysis done already or hold back on something and provide an island-wide analysis for more island-wide consistency purposes. We can provide support for either.

Committee Chair Chock: Thank you. Councilmember Yukimura.

Councilmember Yukimura: The whole concept of the General Plan was that we cannot put sewers or water systems everywhere, so we are planning for where we would concentrate all of that infrastructure, and sewer is much more cost-effective if it has higher density. For every mile of sewer, you are serving many more units. I think if you are going to go beyond Līhu'e, we better have some really good planning rationale for doing it and it may be a policy decision for the Council, but the Planning Department has to provide the policy recommendations based on our General Plan and our community plans. I think it is premature to go with an ordinance right now that goes out in that area before we do a really thorough policy analysis, and I agree with the Housing Director that it would be really better to try it out here and see how it works and learn from that experience if we are thinking at all about going beyond the boundaries of Līhu'e, because we are not going to be able to put a four-lane road all the way to Waimea or a six-lane road all the way to Princeville. We know that. Even to just sewer Wailua House Lots would be a humongous capital project.

Committee Chair Chock: Vice Chair Kagawa.

Councilmember Kagawa: If we expand the law here to other areas, one of my concerns is that perhaps these populated areas with Transient Vacation Rentals (TVRs) and Bed and Breakfasts (B&Bs), could take advantage of the new law and put more structures and visitors on those properties. Is that a possibility? Are those lots not in that realm?

Mr. Dahilig: It gets back to one of our favorite topics here with the questions concerning enforcement. I think the backend of this is ensuring that these units are being used not as vacation rentals, rather as residential housing. The enforcement mechanism really needs to keep pace with this if that is the case. While preparing for the meeting, I took a look at statistics on the housing inventory and you can actually see statistically how housing inventory and being ruled out of owner-occupied to non-owner-occupied. What that to me tells me is that that is the signature (inaudible) for things moving from residential over TVR use. We have to pushback on that. If we are going to try and create inventory, it is incumbent on us

also to accompanying enforcement so that it stays in the inventory and not falls out of the inventory.

Councilmember Kagawa: Do we look at the fairness issue of existing residents? I bought my place about fourteen (14) years ago now and when I bought it, the rule was no ADU was allowed unless ten thousand (10,000) square feet or more, and it has been the law for the past fifty (50) years or whatever. Do we look at it as a fairness unit for all the residents of Lihue in that, "We select you, Lihue District, as the only people that ADUs may be built on lots of three thousand nine hundred (3,900) square feet or more?" You can talk about infrastructure all of you want or whatever, but in trying to create fair laws, is there a fairness issue for somebody who bought their house, thinking that was going to be the way it was forever, and now this body is going to change the rules—perhaps, I would not have bought it fourteen (14) years ago if I knew this change was coming. Is that fair to me?

Mr. Dahilig: You posed a very good equity question. We have not approached this from a standpoint of looking at the inventory increase as a means of investment windfalls for landowners. Could that be another factor for this? I do not know. It may very well be. I think from a need standpoint, what we do know is that we need the housing counts and we need to the numbers that we need to figure out as many ways as we can to try to boost the (inaudible) because we have actually fallen way behind and we can project twenty (20) years out that we are going to be even more further behind. That is the equity weighing question that I think the Council needs to debate. For us, we were not as concerned about the economic windfall, more as putting the units on the market, and then on top of that, the control that we saw appropriate...it is not like these things run out of control, was at least regulating the size of these units and regulating the size of the products so that it is not becoming something that is definitely an exorbitant type of product that is being put out there. What the market may bear for that product, I am not sure, but I would guarantee it is not put in the range of producing now as a three hundred thousand dollar (\$300,000) to five hundred thousand dollar (\$500,000) unit. I think that is what we went after.

Councilmember Kagawa: The equity can be looked from both sides, right? It can be more equitable if we do it for the whole island, if we pose a change on everybody at the same time with the same rules. But to only withhold it to Lihue can be seen as an inequity. Again, when we talk about equity, we seem to be talking about equity depending on what side we are for or against this thing. To me, it is not equitable because we have one side that says it is equitable and if you look at it the other way, it is not equitable. That is my way of thinking is to just consider the whole island, and then that way it is all equitable because the rural character is important to me. We should not be following Honolulu. We have one-twentieth the population of Honolulu. I do not know why in our mind we even think we should follow Honolulu when it comes to rural character. Thank you.

Committee Chair Chock: If there are no further questions, I want to get into public testimony.

CODIE K. YAMAUCHI, Council Services Assistant I: Committee Chair, you have one (1) registered speaker, Matt Bernabe.

Committee Chair Chock: Mr. Bernabe. Miss Kaua'i Filipina, are you here to sing "Happy Birthday" or to testify?

Councilmember Kaneshiro: Actually, she was going to talk to us after the meeting was done. I do not think she was expecting the meeting to still be going on, but maybe if we can recognize her before the meeting is up.

Committee Chair Chock: Okay, let us do that.

Councilmember Kaneshiro: I do not think she is prepared for us to ask her questions, but we can ask her questions anyway.

Committee Chair Chock: You can start his time now.

MATTHEW BERNABE: Matt Bernabe, for the record. Where do I start? I have not been supportive of putting all of our eggs in Līhu'e from the start. I have been on record several times saying that it is a bad idea to have all commerce and all activities in Līhu'e. What I will say is that our infrastructure is worse than the State. We sit here and we say, "Oh, we are projected to have ten thousand (10,000) new homes." Who is saying that? If we do not have the infrastructure, we will never reach that mark. As somebody who buys motorcycles, quads, and a bunch of toys; in the past, I have bought things and said, "Oh, I needed it for this. I needed it for that." Then I was not able to maintain those things and I had to liquidate them so that it would not bankrupt me. Where I am going with this is that if we keep saying, "We need it," but we are not doing—I watch the news every day. When they talk about Kaua'i, it is the same thing: lack of infrastructure. If you want to go and put all of these houses on an already maxed out Līhu'e system, and I have a lot of questions, but I want to focus on...they said four thousand six hundred (4,600) new homes in Līhu'e...they broke it up between two thousand (2,000) and two thousand six hundred (2,600)—how much of that is going on viable agricultural land? How much of this is for Hanamā'ulu? I know that Hanamā'ulu has a bunch of illegal structures that before we even let them add on, we should go and regulate...you already heard that enforcement is an issue with our County, that we cannot enforce anything. So we are going to open up the floodgates and say, "We could not even enforce the current rules, and we are going to let you folks have more rules." By the way, Hanamā'ulu and sections here by Ace Ben Franklin is one of the biggest and egregious violators of this very subject. If you go in Hanamā'ulu like I do, you walk in there and there are chianti towns after chianti towns. My father-in-law, born and raised in the Philippines, used to come home and joke and laugh to me about the inspectors being chased out of there. That is straight from their mouths, drinking beers and grilling chickens. That is my family, my blood, and my marriage. I love them. They are not lying to me. They joke about it. So why can we not enforce that, but bring in new rules? There is something wrong with this. I see my light, but is there someone else who wants to speak? I want to have my second turn.

Committee Chair Chock: I can ask. Is there anyone else who would like to testify? Are you sure? You might need a break. You may go.

Mr. Bernabe: The other thing is that loans are harder to get now. How many local residents do you think are going to qualify for these four thousand six hundred (4,600) homes in Līhu'e? I am just curious. I know the people out there. They are getting turned down for loans left and right. If we do not have an increase in how much we get paid, we are never going to fill these homes. If we are not looking at some of this agricultural land to convert into industry to export and create revenue, instead of fighting for tax dollars of tourism, maybe we might have the people that can afford some of the inflated rates that we already have. I think just because the fact that they try to hide this as an affordability bill, they should just go back and redraw it. I think you folks should the message, not only to the Administration, but to the Planning Department, and say, "Look, come here and sell what you really want to sell to us. Do not come here and put 'affordability' here and convolute the conversation." You, yourselves are like, "Hey, wait a minute." I am listening here and I thought, "Wow, what a great job this Council did. They identified everything that I was sweating about." With that said, I will definitely be looking into

this more. I do not think we need ten thousand (10,000) homes until we have ourselves squared away, not just with infrastructure, but how we operate this County. We should not be so worried about putting in homes. We should be worried about creating industry and putting money into our pockets so that we are not scraping. My friends moved from here not because there are no homes, there were no jobs, no good paying jobs. That is why they left. They have good lives in the mainland and better jobs. We are sitting here talking about affordable homes, but at the rates these people are making where they are working—I worked at Duke's Restaurant for years and I barely made twenty thousand dollars (\$20,000) as a broiler, cutting your folks' prime rib and cooking your folks' lobsters. Those are not transitional jobs. That is skilled work that we do not get paid enough for. We come up here with the minimum wage and all businesses came to me and said, "How can you go out..." I said, "You know what, I was a worker that got paid peanuts and had to go back to school." That almost bankrupted me. I am lucky that I have a strong network and I know how to manage my stuff. It took a lot of work, but I almost collapsed my household. It is not as easy as people think. We, as a County, need to look at generating revenue for the County, as well as looking for affordable homes and increasing the inventory; all of the above, and the infrastructure. Thank you.

Committee Chair Chock: I will call the meeting back to order. Any comments before we call for the deferral? Councilmember Yukimura.

There being no further testimony, the meeting was called back to order, and proceeded as follows:

Councilmember Yukimura: I think Mr. Bernabe just said something very insightful. It is not just a matter of providing affordable housing. It is about creating jobs. I think one of the reasons why Waimea and the rest of the west side are losing population is not because there is a lack of housing as much as there is a lack of jobs. The Waimea, Kekaha, Hanapēpē, and 'Ele'ele Community Plans have yet to be done, but the potential for agriculture on the west side is already being manifested in a certain way, but also has potential. I think agricultural worker housing is a critical area. I would like to see some of our efforts to provide housing in that area. Also, as was pointed out by the Department of Water employee, we were setting up Waimea for housing development because there is now water and sewer, and we need to look at why we have not done housing projects there, because I do not think it has been a lack of affordable rental unit options as much as it has been a lack of housing development work. When you are looking at increasing the population of an area, I think jobs are a critical piece.

Committee Chair Chock: Any other comments before we call for a deferral? If not, we will entertain the amendments in two (2) weeks and I think it was clear that there is an interest in looking at an island-wide approach as well. I, myself will not feel comfortable moving forward unless an analysis is done on that because I think there may be some risks that we need to take into consideration, as Vice Chair Kagawa mentioned. With that being said, I think the other amendments sounds like we can entertain and will do so next time. Can I have a motion to defer?

Councilmember Kualifi moved to defer Bill No. 2627, Draft 1, seconded by Councilmember Kaneshiro, and unanimously carried.

Committee Chair Chock: This concludes the business of the Planning Committee.

There being no further business, the meeting was adjourned at 3:47 p.m.

Respectfully submitted,



Codie K. Yamauchi
Council Services Assistant I

APPROVED at the Committee Meeting held on July 27, 2016:



MASON K. CHOCK, PL Committee